

23 AUG 1978

DD/A Registry

78-3397

MEMORANDUM FOR: Office of Legislative Counsel

ATTENTION: [REDACTED]

VIA:

Deputy Director for Administration

FROM:

Chief, Procurement Management Staff, OL

SUBJECT:

Contracting With the Academic Community

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File

Liaison

1. Action Requested: It is requested that attachments to this memorandum be presented to Mr. Lock Johnson of the House Select Committee on Intelligence Staff. This request is in accordance with agreements with him on 1 August 1978.

2. Background:

The House Select Committee on Intelligence has requested various substantive briefings on CIA relationships with the academic community. The writer was asked by [REDACTED] to meet with the addressee on 1 August 1978 and provide information to Mr. Lock Johnson regarding CIA contracts with the academic community. A general briefing was presented on CIA procedures in this area and responses were provided to various questions. A copy of the briefing is included as Attachment A. Other attachments include the following:

Excerpt from [REDACTED] entitled "Contracts and Grants With Educational Institutions," (Attachment B)

Office of Logistics Procurement Note No. 60, (Attachment C)

Computer Printout on Grant Contracts With Colleges and Universities (Attachment D)

Explanation of Scope of Work on Selected Contracts (Attachment E).

Unclassified when
separate from
attachments

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SUBJECT: Contracting With the Academic Community

3. Staff Position: No coordination required.

4. Recommendation: None



STATINTL

Attachments

cc: DDA

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CIA
CONTRACTING WITH ACADEMIC COMMUNITY

Policies and Procedures

August 1978

Services are provided to CIA by the academic community, either as a result of personal service and consultant contracts issued by our Office of Personnel, or as a result of industrial contracts issued by the Office of Logistics. This briefing describes only those policies and procedures utilized by the Office of Logistics in its issuance of industrial contracts to academia.

Concern by Agency management for its relationships with colleges and universities and personnel closely associated with such institutions was heightened in 1967 as a result of the so-called Katzenbach report to the President. Direction from the President to implement recommendations in that report resulted in implementation of stringent review and approval procedures within CIA for all proposed contracts with academia. Procedures and controls issued in response to Katzenbach have been reviewed and found satisfactory by various committees charged with investigating or overseeing CIA.

CIA's general policy on issuance of contracts and grants to educational institutions is:

The Agency shall not provide any covert financial assistance or support, direct or indirect, to any U.S. educational or private voluntary organization. This policy specifically applies to all foreign activities of such organizations, and it reaffirms present policy with respect to their domestic activities.

Procedurally, all contracts between CIA and the academic community require senior level approval prior to negotiation. Such approval is also required for subcontracts and in the case of extensions or renewals of existing contracts. Requests for approval must include full details on the proposed contract, such as classification of work, a description of services to be performed, effective date of the contract, expected completion date, and dollar value.

Contracts on which our association with the contractor is unclassified require approval by the Director of Logistics. When our association with the contractor must be classified, which is very much the exception rather than the rule, approval of the head of the directorate in which the requiring unit is located is required, in addition to the Director of Logistics and the Deputy Director for Administration. In all cases, it is required that appropriate management officials of the academic institution be aware of the contract with CIA.

Evidence of approval is made a part of our official contract file, and information on contracts with academia is coded into our automated contract information system.

Our current industrial contract involvement with academia is small, with a computer printout on 24 July of this year indicating only 21 active contracts. On 7 of these contracts, work had already been completed. The value of the entire 21 contracts is less than \$1 million.

In conclusion, the administrative controls I have described are included in our various regulations and procedures, and compliance with these regulations is closely monitored. Our industrial contract involvement with academia is small. I will be happy to answer any questions you may have.

STATINTL - (Briefing by [REDACTED], C/PMS/OL, to House Select Committee on 1 August 1978)

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- (c) Will prominently state that the supplies or services to be procured will be in accordance with the specifications and bidder's technical proposal, as finally accepted, under the request for technical proposals. This may be accomplished in the schedule item description by a provision substantially in the form of the following example: "Radio Antenna, in accordance with Exhibit No. _____ dated _____ (use other description of specifications as appropriate) and your technical proposal _____ (insert specific identification as finally accepted) incorporated herein by reference. Nothing contained in said technical proposal will constitute a waiver of any of the provisions of said exhibit (or specifications)."

18. (C) CONTRACTS AND GRANTS WITH EDUCATIONAL INSTITUTIONS

a. GENERAL POLICY

- (1) The Agency shall not provide any covert financial assistance or support, direct or indirect, to any U.S. educational or private voluntary organization. This policy specifically applies to all foreign activities of such organizations, and it reaffirms present policy with respect to their domestic activities.
- (2) Special attention should be directed to the policy statement use of the words "covert financial assistance." Agency contracts with educational institutions that are unclassified with regard to the Agency's association [REDACTED] are to be considered overt contracts even though work or reports to be provided may be classified. Agency contracts that are classified with regard to the Agency's association [REDACTED] are to be considered a covert relationship and shall be undertaken with an educational institution only in cases where guidelines outlined in paragraph b below are followed.

b. APPLICATION

Award of Agency contracts and grants to educational institutions and related research institutes or individuals shall conform to Section 2-303 of Executive Order 12036, [REDACTED]. Contracting officers shall implement these rules and regulations as follows:

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(1) Overt Contracts [REDACTED]

- (a) Such contracts require the approval of the Director of Logistics only. This approval shall be obtained:
- (1) Prior to the negotiation or award of any contract or task order with an educational institution.
 - (2) Prior to the extension or renewal of existing contracts or task orders with an educational institution.
 - (3) Prior to the award of any subcontract to an educational institution through a prime contract with the Agency.
 - (4) Prior to the award of any contract or subcontract to an educational institution through other Government agencies for the Agency.
- (b) The approval of the Director of Logistics shall be obtained by submission of a memorandum or by use of the form entitled "Report on Contracts and Grants with Academic Institutions and Related Research Institutes or Individuals."
- (c) Correspondence on overt [REDACTED] contracts with educational institutions shall not disclose the Agency as return addressee on the outer envelope. The contracting officer's true name and suitable post office box number shall be utilized. 25X1A

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(2) Covert Contracts [REDACTED]

- (a) All proposed procurement actions must be carefully coordinated with the contracting team security officer. With the concurrence of the directorate contracting officer, the technical component involved shall prepare for the signature of its Deputy Director a justification requesting exception to the established guidelines, addressed for the concurrence of the Director of Logistics and the approval of the Deputy Director for Administration.

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- (b) A memorandum for the record shall be attached to the request for approval that specifies the responsible university official, president, chancellor, or business manager who was briefed and who approved the contractual relationship.
- (c) Contracting officers must ensure that the university official approving the contractual relationship understands the [REDACTED] procedures involved. Contracting officers shall be responsible for the review and completeness of all supporting documentation.
- (d) Correspondence on covert [REDACTED] contracts shall be conducted in the normal manner; i.e., utilizing alias and appropriate post office box number.
- (e) In the event a foreign educational institution becomes a potential contracting or subcontracting source, the procedures cited in paragraph 3a or 3b shall be applicable.
- (f) Contracting officers shall avoid writing contract clauses that in any way prohibit subcontracting with educational institutions. The contracting officer is responsible for apprising himself of potential subcontractors that are educational institutions and for applying the guidelines in paragraph 3a or 3b as appropriate.
- (g) In cases where university professors establish commercial business organizations retaining close ties with their schools and in some instances utilizing the laboratories and equipment of the institution, or where the contractor is located on the campus of the institution, the contracting officer shall coordinate carefully with the Security Staff, Office of Logistics, and treat the company within the above guidelines.
- (h) Contracting officers are to ensure that all contracting personnel involved understand the following documents related to contracting with educational institutions:
- (1) Statement by the President dated 29 March 1967 releasing the Katzenbach Report.
 - (2) Guidelines for Contracting with U.S. Educational Institutions dated 21 June 1967.

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(3) Report on Contracts and Grants with Academic Institutions and Related Research Institutes or Individuals.

(4) Executive Order 12036.

(5) [REDACTED]

c. GRANTS

A grant is an award of Government funds for the conduct of basic or applied research, the results of which are expected to be in furtherance of the Agency's objectives and mission. Grants may not be made by a contracting officer without prior written approval of the Deputy Director concerned and the Deputy Director for Administration.

(1) Legal Prerequisites

To legally qualify for a grant the grantee must be either a nonprofit institution of higher education or a nonprofit organization whose primary purpose is the conduct of scientific research.

(2) Use

Grants will be used only where the purpose or objective cannot be achieved by other contractual means.

(3) Procedures

Requests for grants will include the following:

- (a) A statement that the grantee is a nonprofit institution of higher education or a nonprofit research organization whose primary purpose is the conduct of scientific research.
- (b) The name and address of proposed grantee.
- (c) A description of proposed research to be accomplished.
- (d) The proposed starting date.
- (e) The period during which the grant is to be effective.

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- (f) A statement as to why normal contracting procedures do not suffice.
- (g) Identification of principal personnel involved in the program.
- (h) A program budget to include salaries, equipment, travel, publication cost, direct cost, indirect cost, and a statement as to other sponsors involved in the program and the extent of their participation in the program.
- (i) If title to the equipment is to remain with the grantee, special justification is required. Otherwise, the assumption will be made that title to property purchased with grant funds will remain with the Government.
- (j) A statement of substantive reports required by the sponsoring office.
- (k) If there are any special arrangements to be made with regard to financial matters, they must be specifically set forth and justified.
- (l) Not used.
- (m) Normally, grants will include the right of audit by the Agency in an overt classified manner or in a covert manner. If for security reasons it is not practicable or possible to conduct an audit, the request must so state.
- (n) Usually, grant instruments will contain a provision reserving the right to a royalty-free license for the Government unless there are extenuating circumstances precluding it.

(4) Sterility Requirement

Generally, grants will be handled in an Agency sterile manner according to established [REDACTED] procedures. If Government sterile or [REDACTED] procedures are desired, special justification must be included in the request. In this case, certain modifications will be made in the grant instrument to conform as much as possible to the customs and practices of private grants.

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(5) Approval and Implementation

- (a) Grants must be approved by the Deputy Director concerned, reviewed by the Associate General Counsel and the Director of Logistics, submitted to the Deputy Director for Administration for review and administrative approval, and forwarded to the Director of Logistics for implementation.
- (b) The Director of Logistics will process grant agreements in accordance with the requirements of the operating component as approved by the Deputy Director for Administration. Also, the Director of Logistics wherever possible will include in the grant instrument with the grantee the following:
 - (1) A proposed schedule of payments rather than a total outright grant of the sum approved.
 - (2) Provide for the return of unobligated and unused funds in the possession of the grantee upon completion of the work to be done.
 - (3) Require the grantee to submit accountings for the use of funds and to make certain that such use is consistent with the purposes of the grant.

(6) Technical Review and Evaluation

The component having technical cognizance of research projects is responsible for:

- (a) Conducting objective and continuing appraisals to determine whether projects receiving financial support are scientifically sound and meritorious.
- (b) Periodically documenting the progress and prospects of each project under its jurisdiction.
- (c) Taking immediate action to modify or terminate any project that has served its purpose and that is deemed to be non-productive in relation to prospects for success or commitment of Agency resources.

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OFFICE OF LOGISTICS
PROCUREMENT NOTE NO. 60

Contracts with and Grants to Educational Institutions
and Related Institutes or Individuals

1. The purpose of this Note is to provide guidance on Agency contracting and grants with educational institutions and related contracting research institutes or individuals. Procurement Note No. 2 dated 28 November 1967 is hereby cancelled.

2. The Agency policy on award of contracts and grants to educational institutions is embodied in the White House Statement by the President dated 29 March 1967 releasing the Katzenbach Report. This Statement of Policy provides:

"No federal agency shall provide any covert financial assistance or support, direct or indirect, to any of the nation's educational or private voluntary organizations. This policy specifically applies to all foreign activities of such organizations and it reaffirms present policy with respect to their domestic activities."

Special attention should be directed to the policy statement use of the words "covert financial assistance." Agency contracts with educational institutions which are unclassified in association [REDACTED] are to be considered overt contracts even though the work or reports to be provided may be classified in nature. Agency contracts which are classified in association [REDACTED] are to be considered a covert relationship and shall be undertaken with an educational institution only in those cases where the Guidelines outlined in paragraph 3 below are followed.

3. Award of Agency contracts and grants to educational institutions and related research institutes or individuals shall conform to the "Guidelines for Contracting with U. S. Educational Institutions and their Staff Members," transmitted by memorandum for the Director of Central Intelligence dated 21 June 1967. Contracting officers shall implement these "Guidelines" as follows:

a. Overt Contracts [REDACTED]

(1) Such contracts require the approval of the Director of Logistics only. This approval shall be obtained:

WARNING NOTICE
SENSITIVE INTELLIGENCE SOURCES
AND METHODS INVOLVED

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CLASSIFIED BY <u>2273-14</u>
EXEMPT FROM GENERAL DECLASSIFICATION
SCHEDULE OF E. O. 11652, EXEMPTION CATEGORY:
§ 55(1), (2) or (3) (insert one or more)
AUTOMATICALLY DECLASSIFIED ON
(unless impossible, insert date or event)

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(a) Prior to the negotiation or award of any contract or task order with an educational institution.

(b) Prior to the extension or renewal of existing contracts or task orders with an educational institution.

(c) Prior to the award of any subcontract to an educational institution through a prime contract with the Agency.

(d) Prior to the award of any contract or subcontract to an educational institution through other Government agencies for the Central Intelligence Agency (CIA).

(2) The approval of the Director of Logistics shall be obtained by submission of a memorandum or by use of the form entitled "Report on Contracts and Grants with Academic Institutions and Related Research Institutes or Individuals."

(3) Correspondence on overt [REDACTED] contracts with educational institutions shall not disclose the CIA as return addressee on the outer envelope. The contracting officer's true name and suitable post office box number shall be utilized.

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b. Covert Contracts [REDACTED]

(1) All proposed procurement actions must be carefully coordinated with the Contracting Team Security Officer. With the concurrence of the Directorate Contracting Officer, the technical component involved shall prepare for the signature of its Deputy Director a justification requesting exception to the established guidelines, addressed for the concurrence of the Director of Logistics and the approval of the Deputy Director for Support.

(2) A memorandum for the record shall be attached to the request for approval which specifies the responsible university official, president, chancellor, or business manager who was briefed and who approved the contractual relationship.

(3) Contracting officers must insure that the university official approving the contractual relationship understands the [REDACTED] procedures involved. Contracting officers shall be responsible for the review and completeness of all supporting documentation.

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PROCUREMENT NOTE NO. 60

(4) Correspondence on covert () contracts shall be conducted in the normal manner; i. e., utilizing alias and appropriate post office box number.

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4. In the event a foreign educational institution becomes a potential contracting or subcontracting source the procedures cited in paragraph 3a or 3b above shall be applicable.

5. Contracting officers shall avoid writing contract clauses which in any way prohibit subcontracting with educational institutions. It is the responsibility of the contracting officer to apprise himself of potential subcontractors who are educational institutions and to apply the guidelines in paragraph 3a or 3b as appropriate.

6. In those cases where university professors establish commercial business organizations retaining close ties with their schools and in some instances utilizing the laboratories and equipment of the institution or where the contractor is located on the campus of the institution, the contracting officer shall coordinate carefully with Security Staff, Office of Logistics, and treat the company within the above guidelines where sound business judgment so dictates.

7. Contracting officers are requested to insure that all contracting personnel involved understand the following documents related to contracting with educational institutions which are attached to the Note:

a. Statement by the President dated 29 March 1967 releasing the Katzenbach Report.

b. Guidelines for Contracting with U. S. Educational Institutions dated 21 June 1967.

c. Report on Contracts and Grants with Academic Institutions and Related Research Institutes or Individuals.

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John F. Blake
Director of Logistics

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